



P.O. BOX 30014
LANSING, MI 48909-7514
PHONE: (517) 373-7515
TOLL-FREE: (800) FLINT-49
FAX: (517) 373-5817
E-MAIL: leegonzales@house.mi.gov

HOUSE OF REPRESENTATIVES
STATE OF MICHIGAN

LEE GONZALES
STATE REPRESENTATIVE
49TH DISTRICT

APPROPRIATIONS
SUBCOMMITTEES:
GENERAL GOVERNMENT (VC)
TRANSPORTATION

August 25, 2005

Representative Fulton Sheen, Chair
Tax Policy Committee

Dear Chairman Sheen,

Thank you for taking up testimony on House Bills 4951 and 4953. Here is my written testimony for your consideration.

The federal AGI (Adjusted Gross Income), which is the basis for the Michigan Income Tax, includes net business income, or gross income – business expenses. So here is the first deduction for business expenses. Because income from oil and gas is taxed by the Oil and Gas Severance Tax, for state Income Tax purposes, individuals get to deduct the gross income from oil and gas receipts that were already taxed by the Severance Tax. However, there is another deduction for certain other business expenses, such as depreciation. This is the second deduction for the same business expenses—this is a double tax advantage, costing the state about \$5 million a year.

The Governor has recommended closing this loophole in the Executive Budget for Fiscal Year 2006. With oil and gas companies making record profits, we simply feel that it is appropriate to make them pay their fair share of state taxes.

Respectfully,


Representative Lee Gonzales

cc: Representative Paul Condino, Minority Vice-Chair, and
Tax Policy Committee Members